

---

## OLR Bill Analysis

### SB 1027

#### ***AN ACT CONCERNING NOTIFICATION OF NONPAYMENT OF PREMIUM FOR INDIVIDUAL LONG-TERM CARE INSURANCE POLICIES AND LONG-TERM CARE BENEFITS UNDER AN ANNUITY CONTRACT.***

#### **SUMMARY:**

This bill requires insurers that offer long-term care (LTC) policies to include a conspicuous statement with each policy informing the insured person that he or she may designate a third party to receive cancellation notices due to nonpayment of premium. The insurance commissioner must approve the statement, which must include a form and mailing address the insured can use to designate a third party. To be effective, a designation form must satisfy specified criteria.

The bill requires LTC insurers to provide notice to an insured person at least 30 days before cancelling a policy for nonpayment of premiums. The notice must be sent by registered or certified mail or mail evidenced by a certificate of mailing or otherwise delivered by the insurer to the insured person and third-party designee, if any. It must indicate the amount of premium owed. Cancellation is avoided if the insured person, third-party designee, or other person on behalf of the insured pays the full premium due to the insurer before the cancellation effective date.

The bill also allows insurers licensed for both life and health insurance in Connecticut to offer annuity contracts or certificates, or riders or endorsements to them, that provide LTC benefits. This allows withdrawals from the annuity for LTC expenses. Such contracts and certificates must waive the surrender charges or accelerate a portion of the annuity contract. By law, life insurance policies may already provide LTC benefits. Life insurance policies and annuity contracts must be filed with and approved by the insurance

commissioner.

The bill makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2013

### **THIRD-PARTY DESIGNATION**

The bill requires a designation form to include the third party designee's written acceptance to receive copies of cancellation notices on the insured person's behalf. The designation must be effective within 10 business days after the date the insurer receives the form and acceptance.

Under the bill, a third-party designee may end the designation by giving the insurer and insured person written notice, and the insured person may end the designation by giving the insurer and third-party designee written notice. The insurer may require its termination notices to be sent by certified mail, return receipt requested.

The bill provides that the insurer's delivery of a copy of a cancellation notice to a third-party designee is in addition to delivery of the original notice to the insured person. It requires all original notices and copies to be mailed in an envelope marked on its face with the following: "IMPORTANT INSURANCE POLICY INFORMATION: OPEN IMMEDIATELY."

The bill specifies that the same law and policy provisions governing notices to an insured person also govern copies of notices sent to a third-party designee. It also states that designating a third party does not constitute acceptance of any liability by the third party or insurer for services provided to the insured.

### **COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 17 Nay 1 (03/14/2013)